

AUG 27 1947

401315

MEMORANDUM FOR THE STATE-WAR-NAVY COORDINATING COMMITTEE

SUBJECT: PROBable Soviet and Soviet-Inspired Reactions  
to SWNCC Proposals for Japan

REFERENCE: SWNCC Second Phase Study on Japan, dated 8 August 1947

1. Nearly any action taken by the US with regard to Japan will bring forth a violent propaganda reaction by the USSR, specifically:

a. US economic aid to restore Japanese economy such as its expenditure of US appropriated funds of US \$450 million; the expenditure of convertible assets in Japan valued at US \$150 million; and the use of looted but unidentified convertible assets in Japan valued at US \$50 million as collateral for self-liquidating loans would most certainly bring forth charges of imperialism and "dollar diplomacy".

b. Any post-treaty supervision of Japan designed to protect effectively the US policy of political reform in Japan will be met with cries of imperialism and unwarranted intervention in Japan's internal affairs. Such supervision will also be met by Soviet-inspired labor unrest and communist political infiltration within Japan.

c. Any US military bases occupied in the western Pacific would be "viewed with alarm" as either being pointed at the USSR or as being used to exert pressure upon Japan in order to make the latter in effect a US puppet.

d. In like manner any informational and cultural program established in Japan would certainly bring a violent counter propaganda campaign and a stepped-up attempt at communistic infiltration in Japanese politics and economy.

2. Soviet reactions to the SWNCC proposals in regard to Japan also will depend upon whether or not the Soviets participate in the formation and ratification of the peace treaty. Should the United States ignore Soviet protests and call a peace conference, the USSR may eventually join in the negotiations on US terms because a peace treaty with Japan would (a) reduce US control in Japan thus permitting a freer development of communism, and (b) increase the possibility of Soviet exploitation of Japanese trade. While both these results are desirable from the Soviet standpoint, other considerations indicate that the Soviets will consider it to their advantage to abstain from participation unless they are assured of a veto right.

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3. By abstaining from participation in the peace conference the Kremlin would reserve its right of independent action at some future date. The peace treaty drawn up by the US and other powers could be adhered to or not, depending on the relative advantage to the USSR. The USSR could receive most of the benefits of such a treaty without accepting any obligations and remaining free to violate its provisions with impunity. Above all, the Soviet Union would be free to negotiate a separate peace with the Japanese, who, because of the proximity of Soviet military strength, fear of the USSR, and a desire to conclude peace with all of their former enemies, might be persuaded to grant far-reaching and eventually destructive concessions to the Soviets. While any treaty drawn up by a group of powers including the US but excluding the USSR would be designed to obviate this possibility, the USSR, as pointed out above, will not be bound by such a treaty and will have ample time to study its advantages, disadvantages, and weaknesses. The Japanese, on their part, would be in an excellent position to manipulate US-Soviet mutual fear and suspicion to their own advantage.

4. Whether or not the USSR is a party to the Japanese peace treaty, the Soviets will combat the US economic rehabilitation policy for Japan. With regard to agricultural and industrial production, the Soviet Union ultimately desires both these forms of economic activity to be subordinate to and dependent upon the Soviet Union. US policy in Japan now makes this objective immediately unobtainable. As long as US occupation of Japan continues, the USSR will urge a low level of Japanese industry, particularly heavy industry. Should Soviet domination of Japan materialize, the USSR would probably build up only light industry and consumer goods production. Heavy industry would be confined to the Soviet Union and Japanese industry would be subservient to it, drawing its raw materials from Siberia. Agriculturally, the USSR will support land redistribution, largely as a political measure to gain support for the Japanese Communists.

5. The USSR also desires domination of Japanese international trade. To further this objective, the Soviets will oppose any US attempt to revive Japanese trade along pre-war lines, will urge reparations from current production, and will strenuously attempt, through barter agreements, etc., to obtain a strong foothold in Japanese trade for exploitation at some future date when Japanese trade is freed from allied control. The wealth and proximity of Siberia, combined with state-controlled trading, give the Soviets an eventual advantage over private traders from the West in this respect. If Soviet political domination of Japan materializes, the Soviets will seek to confine Japanese commercial relations to the Soviet Union, increasing Japanese dependence on the Soviet Union.

6. Soviet reparations claims will be designed to (a) lower the Japanese industrial potential, (b) encourage dependence on the USSR, (c) supply the USSR with certain products of light industry and consumer goods, and (d) supplement, by removals, Siberian heavy industry. Reparations, political and economic measures will be coordinated and used to their full advantage by the Soviets in attaining the maximum possible position of influence in Japanese affairs.

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Orig. & 3 - SWHCC

Approved For Release 2000/04/12 : CIA-RDP67-00059A000400200004

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